

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
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SIL-01 OMB-01 DODE-00 PM-05 H-01 L-03 NSC-05
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R 291855Z JUL 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 1157
INFO ALL EC CAPITALS

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USEEC

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TAGS: EEC, ECON
SUBJECT: EC BUDGET COUNCIL, JULY 20, 1977: RESULTS

REF: EC BRUSSELS A-263

1. SUMMARY: THE EC BUDGET COUNCIL OF JULY 20 TOOK ITS FIRST LOOK AT THE COMMUNITY BUDGET FOR 1978. IT APPROVED AND SENT TO PARLIAMENT A DRAFT BUDGET SHARPLY REDUCED FROM THE OVERALL AMOUNT PROPOSED BY THE EC COMMISSION. PARTICULARLY HARD HIT WERE COMMISSION PROPOSALS TO GREATLY EXPAND SPENDING IN THE REGIONAL, SOCIAL, AND INDUSTRIAL AREAS. SOME OF THESE CUTS ARE LIKELY TO BE RESTORED AT LATER STAGES IN THE BUDGETARY PROCESS, BUT THE FINAL RESULT SEEMS CERTAIN TO FALL WELL SHORT OF COMMISSION RECOMMENDATIONS. END SUMMARY

2. THE EC BUDGET COUNCIL MET ON JULY 20 TO CONSIDER FOR
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THE FIRST TIME THE COMMUNITY BUDGET FOR 1978. AS EXPECTED, IT APPROVED A DRAFT GENERAL BUDGET SHARPLY REDUCED FROM THE PRELIMINARY DRAFT BUDGET PROPOSED BY THE COMMISSION (REF AIRGRAM).

3. THE COUNCIL APPROVED OVERALL COMMITMENT APPROPRIATIONS OF 11,612 MILLION EUROPEAN UNITS OF ACCOUNT (MEUA),

CURRENTLY EQUIVALENT TO ABOUT \$13.5 BILLION, A CUT OF 900 MEUA FROM THE COMMISSION PROPOSAL. APPROPRIATIONS FOR PAYMENT WERE PUT AT 11,330 MEUA (\$13.1 BILLION), DOWN 500 MEUA FROM THE COMMISSION PROPOSAL. CORRESPONDING ESTIMATES FOR 1977 ARE 10,247 MEUA AND 9,579 MEUA RESPECTIVELY.

4. THE COUNCIL CUTS PRIMARILY HIT THOSE PRIORITY AREAS OF NON-OBLIGATORY SPENDING WHERE THE COMMISSION HAD HOPED TO GREATLY EXPAND ITS ACTIVITIES -- EXPENDITURES BY THE REGIONAL AND SOCIAL FUNDS, IN ENERGY AND IN INDUSTRIAL AREAS AIMED AT STRUCTURAL ADAPTATION. NON-OBLIGATORY COMMITMENT APPROPRIATIONS HAVE BEEN HELD ABOUT LEVEL, WITH THE 13 PERCENT INCREASE IN TOTAL APPROPRIATIONS BEING COMPLETELY ABSORBED BY ANTICIPATED GROWTH IN OBLIGATORY AGRICULTURAL EXPENDITURES.

5. THE COUNCIL AGREED THAT THE DRAFT BUDGET SHOULD FOR THE TIME BEING BE EXPRESSED IN TERMS OF THE BASKET EUROPEAN UNIT OF ACCOUNT, ALTHOUGH A FINAL DECISION ON THIS HAS YET TO BE TAKEN. AS NOTED IN THE REF AIRGRAM, SUCH A DECISION IS BEING DELAYED BY THE DISPUTE AMONG MEMBER STATES OVER THE IMPLICATIONS OF THE CHANGEOVER TO THE EUA FOR THE TRANSITIONAL CEILINGS WHICH LIMIT THE BUDGETARY CONTRIBUTIONS OF THE THREE NEWEST MEMBER STATES IN 1978 AND 1979. THE COUNCIL AGREED TO SETTLE LIMITED OFFICIAL USE

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THIS LATTER PROBLEM "AS SOON AS POSSIBLE AND IN ANY CASE NO LATER THAN 31 OCTOBER 1977."

6. PRIOR TO ITS DISCUSSION OF THE DETAILS OF THE 1978 BUDGET, THE COUNCIL MET WITH A DELEGATION FROM THE EUROPEAN PARLIAMENT AS PART OF THE "CONCILIATION PROCEDURE" TO EXCHANGE VIEWS ON THE BUDGET. THE PARLIAMENTARY DELEGATION EXPRESSED SUPPORT FOR THE PRIORITY WHICH THE COMMISSION HAD WISHED TO SEE GIVEN TO EXPENDITURES BY THE SOCIAL AND REGIONAL FUNDS, AND IN THE ENERGY AND INDUSTRIAL FIELDS. THE DELEGATION ALSO EXPRESSED DISSATISFACTION AT THE BREVITY AND GENERALITY OF THE DISCUSSIONS.

7. COMMENT: TO SOME EXTENT THE COUNCIL'S CUTS ARE ARTIFICIAL, REFLECTING A COUNCIL DECISION TO INCLUDE ONLY THOSE EXPENDITURES FLOWING FROM ACTIVITIES ALREADY AGREED TO. (IN CONTRAST, THE COMMISSION AND PARLIAMENT TAKE THE VIEW THAT THE BUDGET OUGHT TO BE A PLANNING DOCUMENT, NOT JUST AN ACCOUNTING OF THE EXPENDITURE CONSEQUENCES OF DECISIONS ALREADY TAKEN.) THE COUNCIL VIEW IMPLIES THAT EXPENDITURES MIGHT HAVE TO BE RE-INSERTED AT A LATER STAGE IN THE BUDGETARY PROCESS, OR IN SUPPLEMENTARY BUDGETS, AFTER DECISIONS ARE TAKEN.

THUS IT SEEMS LIKELY THAT SOME ITEMS WILL BE RESTORED BY THE COUNCIL. OTHERS ARE LIKELY TO BE RESTORED BY THE PARLIAMENT (WITHIN ITS LIMITED AREA OF BUDGETARY MANEUVER) WHICH TAKES A MORE POSITIVE VIEW OF COMMUNITY ACTIVITIES IN THE SOCIAL, REGIONAL AND INDUSTRIAL AREAS. COMMISSION SOURCES ARE HOPEFUL THAT CUTS IN THE REGIONAL AND SOCIAL FUNDS WILL BE PARTIALLY RESTORED; THEY ARE LESS HOPEFUL IN THE INDUSTRIAL AREA, WHERE THE LEGAL BASIS FOR PROPOSED COMMUNITY ACTIVITIES IS SAID TO BE LESS FIRM.

8. THE COMMISSION HAS REACTED TO THE COUNCIL CUTS WITH EXPRESSION OF PAIN. IT VIEWS THESE CUTS AS INCONSISTENT

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WITH THE STATEMENTS MADE AT THE EUROPEAN COUNCIL AND PRIVATELY HOPES THAT CERTAIN HEADS OF GOVERNMENT WILL TELL THEIR MINISTERS TO RELENT. BUT IT SEEMS MORE LIKELY THAT THE MINISTERS IN QUESTION UNDERSTAND THEIR SUPERIORS QUITE WELL. ALL SIGNS ARE THAT, ALTHOUGH SOME CUTS WILL NO DOUBT BE RESTORED, THE FINAL OUTCOME WILL FALL CONSIDERABLY SHORT OF COMMISSION HOPES THAT THE COMMUNITY COULD PLAY A SUBSTANTIALLY ENHANCED (THOUGH STILL MODEST) ROLE IN REDUCING ECONOMIC DIVERGENCIES AMONG MEMBER STATES AND AMONG REGIONS WITHIN THE MEMBER STATES THROUGH SHARPLY EXPANDED REGIONAL AND STRUCTURAL POLICIES. NEVERTHELESS, THE COMMISSION WILL CERTAINLY PRESS AHEAD TOWARDS THIS OBJECTIVE, AND SOME PROGRESS SHOULD BE MADE. END COMMENT. HINTON

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